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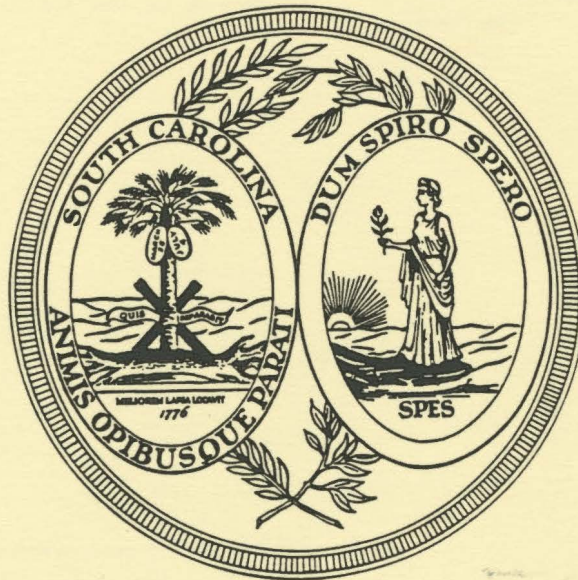
South Carolina Legislative Audit Council

LAC

Report to the General Assembly

October 1990

A Review of Hiring and Promotion Practices of the South Carolina Alcoholic Beverage Control Commission



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The Legislative Audit Council is composed of three public members, one of whom must be a practicing certified or licensed public accountant, and six ex officio members.

Audits of the Legislative Audit Council conform to generally accepted government audit standards as set forth by the U.S. General Accounting Office.

Copies of all LAC audits are available to the public at no charge.

A Limited-Scope Review of the South Carolina Alcoholic Beverage Control Commission was conducted by the following audit team.

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Report to the General Assembly

**A Review of Hiring and
Promotion Practices of
the South Carolina
Alcoholic Beverage
Control Commission**

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Executive Summary

The South Carolina Alcoholic Beverage Control (ABC) Commission is responsible for regulating alcoholic beverages, beer and wine. The commission is composed of three members, each of whom serves six years. One of the three members has served since 1988 and the remaining two members were appointed in 1989 and 1990. The commission employs nonagent employees who perform administrative duties in the agency's central office and agents who conduct investigations for licensing and enforcement purposes in the field. The commission issues 22 different types of licenses.

This audit focused on the commission's hiring practices from July 1984 to May 1990 for agent and nonagent positions; promotion practices for agent III positions were reviewed. We found that those promoted to agent III during the test period met the minimum experience requirements for the position. However, some improvements are needed in the hiring area.

Section 83.3 of the FY 89-90 Appropriation Act required that the commission, with assistance from the Division of Human Resource Management (DHRM), establish criteria for agent hiring. In October 1989 the commission approved agency policy #89-41 entitled Agent Hiring. This policy created an agent selection process which involves the ABC Commission and DHRM. Prior to this written policy's development, the commission operated on an informal basis.

The Agent Hiring policy (#89-41) is currently in place. The commission followed the policy in hiring two agents who began employment September 1, 1990. We determined that the ABC Commission fulfilled all requirements established by the policy in filling these two positions.

Although the commission has made progress by developing a formal written hiring policy for agents, a review of the agency's hiring practices identified areas which the ABC Commission should address to ensure that the most qualified persons are hired. Findings in specific areas are summarized below.

We found problems in the area of agent screening and hiring which included the following:

- Although the oral test is the most subjective part of the agent screening process, points allocated to this section account for more than 75% of the total selection points (see p. 4).

- The ABC Commission has hired agents who did not meet minimum training and experience requirements (see p. 6).
- The ABC Commission did not use a written test for agent hiring for more than three years after it was developed. However, nine agents were hired during this period (see p. 3).
- Background information on persons hired as agents has not always been documented as investigated and/or verified (see p. 7).

Introduction and Background

Audit Objectives

The Audit Council was requested by a member of the General Assembly to conduct a limited-scope review of the South Carolina Alcoholic Beverage Control (ABC) Commission. The review focused on the commission's hiring and selected promotion policies and procedures.

Scope and Methods

The general period of review covered practices of the commission from July 1984 to May 1990. We extended the examination of hiring procedures used in selecting candidates for two agent positions through August 1990 since these positions were filled within three months of our test period.

In conducting this review, we interviewed officials of the ABC Commission and other state agencies, both within and outside of South Carolina. We also conducted a survey of all ABC agents and field supervisors.

We obtained evidence primarily from the commission's personnel files. The personnel records of persons hired within the audit period were reviewed. We also reviewed the files for some agent promotions during this period.

This review was conducted and prepared in accordance with generally accepted government auditing standards.

Internal Controls

A specific review of all internal controls was not an objective of this audit. However, we evaluated some agency controls as a part of fulfilling the audit objectives. Internal controls in the areas of hiring and promotions including policy implementation and compliance with the law were assessed.

Background

The South Carolina Alcoholic Beverage Control Commission was created by Act 398 in 1967. Prior to this time, the South Carolina Tax Commission was responsible for state regulation of alcoholic beverages, wine and beer.

The ABC Commission is authorized to license and regulate the importation, possession, sale and consumption of beer, wine and distilled spirits in the state. The commission has jurisdiction to enforce compliance with beverage laws over producers, wholesalers and retailers authorized to sell and distribute alcoholic beverages.

As of May 1, 1990, the ABC Commission employed 85 persons including office staff at the central office in Columbia and field staff stationed throughout the state. The field supervisors and agents work out of seven districts. [An eighth district is made up of a supervisor and 11 agents who work with the Governor's Retaliation Against Illegal Drugs (RAID) Team to prevent the sale and use of illegal drugs.] However, the commission does not maintain offices in other parts of the state; complimentary facilities are provided by local government entities. Further, the offices of individual field staff are located in their respective residences.

The governing body of the ABC Commission consists of three commissioners who are appointed by the Governor. The commissioners conduct judicial hearings on violations involving alcohol, beer and wine permits and determine agency policies. Each commissioner serves a six-year term.

An executive director reports to the commissioners and directs the daily operations of the agency's five departments including administration, enforcement, finance, legal services, and licensing.

According to an agency official, all ABC agents work in the Enforcement Department which has 59 employees. Agents are considered law enforcement personnel and are assigned to licensing (investigation of persons applying for a license); to enforcement (investigation of establishments that sell alcohol), or to the Governor's RAID Team.

Agent Screening Process

Agent Written Hiring Test

The ABC Commission contracted for the development of a written hiring test for entry-level ABC agents but did not use the test for more than three years after it was developed. The test, which was available for use in October 1986, was not used until February 1990. Between October 1986 and February 1990, nine agents were hired without written testing of minimum competencies.

Only after the passage of a proviso in the FY 89-90 Appropriation Act did the ABC Commission implement the written hiring test for agents. Section 83.3 of the appropriation act specifies that the ABC Commission is to work with the Division of Human Resource Management (DHRM) in developing criteria for hiring agents. The criteria is to include a written examination.

In September 1985, the ABC Commission negotiated a contract for testing services with the Interagency Merit System of DHRM. Under this contract, DHRM developed the agent I hiring test and the agent II promotion test. The contract between DHRM and the ABC Commission was continuously renewed through FY 89-90.

From October 1986 through June 1989, the ABC Commission paid DHRM approximately \$9,000 for contracted testing services. In addition to the written hiring test, this amount included funds for the formulation of an agent II promotion test which was implemented in April 1988. However, we could not determine the exact costs for each test.

According to employees of DHRM, the usual time between the completion of a test for an agency and the implementation of the test by the agency is from three to nine months. The commission could provide no reason for their not implementing the hiring test. Staff indicated that until 1990 the commission chose not to implement the test and therefore be restricted to abiding by the testing outcome.

A written test for hiring is less subjective than an oral test or interview. A written test would help the commission to determine if applicants possess the necessary skills for the position.

Recommendations

- 1 The ABC Commission should continue to implement the written test for agent hiring.
 - 2 The ABC Commission should use contracted services in a timely manner.
-

Agent Oral Hiring Test

The ABC Commission administers a test as part of its newly implemented policy #89-41 on agent selection that contains both written and oral sections (tasks). The oral test requires subjective judgment of officials in evaluating the examinees' responses. However, points allocated to the oral section are disproportionate to those allocated to other more objective test sections (see Table 2.1). The oral section accounts for approximately 75% of the total points from all tasks, and some ABC officials who administer the oral test have not been trained in oral testing techniques.

The commission implemented the agent selection process in October 1989 with the approval of agency policy #89-41. The process consists of four tasks which include an oral test, a written test, a narrative exercise and an editing exercise. The applicant(s) who rank(s) highest after the completion of the four tasks undergo further review by the commission which includes a background investigation and a physical examination (see p. 7).

The oral test is administered by seven commission employees. The test consists of ten situational questions with a range of points from zero to five for each question. In addition, each of the seven testers can award from one to ten discretionary points.

As indicated in Table 2.1, the oral test accounts for 420 of 559 total points in the selection process. The written test accounts for only 100 of the total points. Therefore, the oral test is allocated more than four times the points of the written test, which is a more objective test.

**Table 2.1: Agent Selection
Process: Scoring**

Tasks	Maximum Points	Percentage of Points
Oral Test	420	75
Written Test	100	18
Narrative ^a	20	4
Editing ^b	19	3
Total	559	100

^aA report written by the applicant which details his/her interview.

^bA grammatical, spelling, etc. exercise completed by the applicant.

Source: ABC Commission test documents and Audit Council research.

Furthermore, according to an ABC official, some of the employees who administer the oral test have not been trained in conducting an oral test while other employees have received about four hours of training from the Division of Human Resource Management (DHRM). Training is an important component in reducing the subjectivity in evaluations of subjects' responses. However, neither the commission nor DHRM could document any training received by ABC staff on procedures to administer an oral test; therefore, we could not determine the percentage of members who were trained.

Good testing requires that the standards of objectivity, reliability and validity be met. By allocating a large majority of points to the oral test, the commission has increased the subjective measure in the hiring process. Also, the commission has lessened objectivity and consistency by not ensuring that all persons administering the oral test are trained.

Recommendations

-
- 3 The ABC Commission should work with the Division of Human Resource Management to reduce subjectivity in the testing process.
 - 4 The ABC Commission should require all employees who administer the oral hiring test to receive training in oral testing techniques.

Law Enforcement Experience

The ABC Commission has hired entry-level agents who did not meet the minimum one-year law enforcement experience requirement as established by the Division of Human Resource Management (DHRM) in February 1984. However, in October 1989, both the commission and DHRM approved agency policy #89-41, Agent Hiring, which did not include the law enforcement requirement or provide definition of the term. Our review of agents hired between July 1984 and September 1989 showed that 5 (20%) of 25 agents did not meet this requirement. For example, the experience backgrounds for these five agents varied from accounting to sales and funeral director/embalmer. (However, two agents hired effective September 1990, under policy #89-41, both meet the minimum requirement.)

State personnel regulations require all employees to meet the training and experience requirements published by DHRM. Additionally, Section 83.3 of the FY 89-90 Appropriation Act required DHRM to assist in the development of hiring criteria to ensure adequate policy development. These requirements specify the minimum standards that would ensure an applicant's ability to perform the duties if hired.

Recommendations

- 5 The ABC Commission with assistance from DHRM should revise agency policy #89-41 to require agents to meet the minimum law enforcement experience requirement.
- 6 The ABC Commission should define what constitutes law enforcement experience and apply its definition consistently in the hiring process.

Hiring Policies and Procedures

Agent Background Investigations

The ABC Commission has not consistently conducted background investigations on agents as outlined by agency guidelines to confirm that applicants meet minimum requirements for employment. This situation can have a material effect on the quality of agents hired. A review of the personnel files of all 25 agents hired between July 1, 1984 and September 30, 1989 indicated that the commission did not document that background investigations were conducted on all agents. In the remaining cases, documentation was inconsistent and some steps in the checks were verified while others were not.

Internal background investigations on agents are conducted to check personal references, criminal record through fingerprint cards, employment history, credit history, moral character, education, and experience. For applicants who are to be offered a position, a physician's affidavit of physical fitness is also required. This investigation is used as a means to obtain information about the applicant and to verify information supplied by the applicant. This is particularly important to the commission since agents are considered law enforcement personnel. Agents conduct law enforcement and investigative activities, undercover assignments, testify before courts and administrative bodies, handle and seize confiscated contraband items, and may carry firearms and have arrest powers.

Agency practice, since at least July 1984, has been to use a form requiring that information be collected in the above noted areas to guide background investigations. According to an ABC official, the background investigation form has contained the same general requirements throughout the period under review. Agency policy #89-41 regarding agent hiring, established in writing, as of October 1989, the requirement for a background investigation of potential agents.

Our analysis of the agent personnel files for the review period shows that:

- 4 (16%) of the 25 files reviewed contained no evidence that a background investigation was conducted;
- 19 (76%) of the 25 files reviewed did not provide evidence that a criminal record check was performed, as would be evidenced by the inclusion of a processed fingerprint card; 14 of these

files had no evidence of a fingerprint card and 5 files had unprocessed cards;

- the commission accepted the applicant's statement of high school graduation in 4 (16%) of the 25 files reviewed with no further validation;
- 10 (40%) of the 25 files reviewed did not contain verification that applicants met the minimum age of 21;
- 10 (40%) of the 25 agent files reviewed showed no evidence of a physician's report and/or affidavit;
- in 13 (52%) of the 25 agent personnel files reviewed, the background investigation on the applicant was dated after the date of the job offer. In all but three of these cases, the background investigation was completed one or two days before the effective date of employment. The other three were completed after the employee had reported for work.

When background investigations are not conducted consistently and before an applicant is hired, individuals may be employed who do not meet the minimum qualifications for agent positions. In 1 of the 25 cases we reviewed, an agent was found, after 2 months of employment, to have been convicted of a past drug charge; the agent resigned.

Information obtained during background investigations can enable the commission to make a more informed hiring decision. While the use of a collection form or guide is commendable, consistent documentation in the files ensures that a satisfactory investigation has been performed.

The commission did follow agency policy in performing background investigations of 2 agents it employed on September 1, 1990, under policy #89-41.

Recommendation

- 7 The ABC Commission should document that complete background investigations are performed on all agent applicants as required by policy #89-41 to confirm that

candidates meet the minimum qualifications for employment.

Hiring Policy for Nonagent Employees

Confusion exists among the staff of the ABC Commission about the hiring policy for nonagent employees. Although the executive director of the commission indicated that informal policies to hire nonagent employees including department heads and other agency positions were in place in January 1990, no formal written policy exists. One ABC official interviewed was unsure about the policy for hiring department heads while two other officials (one a commissioner) agreed that the candidates for department head slots are interviewed and hired by the executive director and the three commissioners. However, one of these two officials was not positive if procedures used in filling one department head position would be used to fill another position. The commission hired a total of 16 employees between July 1984 and May 1990 (our test period) without a formal written policy.

Regulations of the Division of Human Resource Management (DHRM), do not require state agencies to develop a written hiring policy. However, DHRM encourages the development of such a policy to ensure consistency in the hiring process. According to a certified specialist in labor and employment law, consistent procedures should be developed as a means to justify hiring decisions.

A formal written policy would help to ensure that hiring procedures are clearly communicated to applicants and employees. The commission has developed a formal hiring policy for agent positions but not for nonagent positions. As a result, persons applying for nonagent positions may be subject to inconsistent and inequitable treatment.

Recommendation

- 8 The ABC Commission should develop written hiring policies for nonagent employees.

Agent/Nonagent Photograph Requirement

Since at least 1984, the ABC Commission has required all who are applying for agent and nonagent positions to submit a photograph with their employment applications. ABC officials indicated that they did not know why photographs for agents or nonagents are required.

Prior to October 1989 (before the implementation of agency policy #89-41, Agent Hiring), applicants for all ABC positions completed the South Carolina State Government Application for Employment/Examination which was developed by the Division of Human Resources Management (DHRM). However, the commission affixed a stamp to the state application which read "Attach a 3 X 5 photograph of yourself to this application."

As of October 1989, a new agent application was implemented. Agent applicants were then requested to attach a photograph to the new application; nonagents continued to attach a photograph to the state application.

Our review of the personnel files and/or applications of agents hired from July 1984 through August 1990 and nonagents hired between July 1984 and May 1990 revealed the following:

- 23 of the 25 agents hired between July 1984 and September 1989 were requested to submit a photograph when applying; 19 (83%) of the 23 agents submitted a photograph.
- Agent applicants for two positions filled effective September 1, 1990 were requested to submit a photograph.
- Of the 16 nonagent files reviewed, 12 of the employees were asked for a photograph when applying. Three (25%) of the 12 nonagent employees provided a photograph. (One nonagent file did not contain an application.)

According to a DHRM official, an attorney who works in the field of labor and employment law, and personnel literature reviewed, an employer should not request a photograph before hire. However, the official from DHRM stated that some requirements considered to be discriminatory for other professions are not for law enforcement due to the nature of the work.

The Audit Council reviewed the employment applications of other agencies in South Carolina which employ law enforcement personnel including the State Law Enforcement Division, the Department of Corrections, the Traffic Law Enforcement-Patrol (Highway Patrol) Office of the Department of Highways and Public Transportation, the Department of Youth Services and Wildlife and Marine Services. Only the Highway Patrol Office required a photograph. An employee of that office stated that the photograph is used as a means to place an applicant's face with the application. A DHRM official stated that the Highway Patrol Office was advised by DHRM that the photograph requirement was not a good practice.

According to ABC officials in four of the eight other southeastern states (Florida, Kentucky, Mississippi and North Carolina), applicants for agent positions are required to submit a photograph. This occurs *after* the applicant is screened: in Kentucky, Mississippi and North Carolina, after the applicant is interviewed; in Florida, after an assessment as to whether the applicant meets the minimum requirements for the agent position.

Although we found no evidence that supports a charge of inequity in hiring, the practice of requiring a photograph before candidates are selected makes the commission vulnerable to such charges. In addition, this requirement may contribute to a negative public perception that hiring is based on factors other than a person's ability to perform the applicable job duties.

Recommendation

- 9 The ABC Commission should discontinue the practice of requiring job applicants to submit a photograph.

Appendices

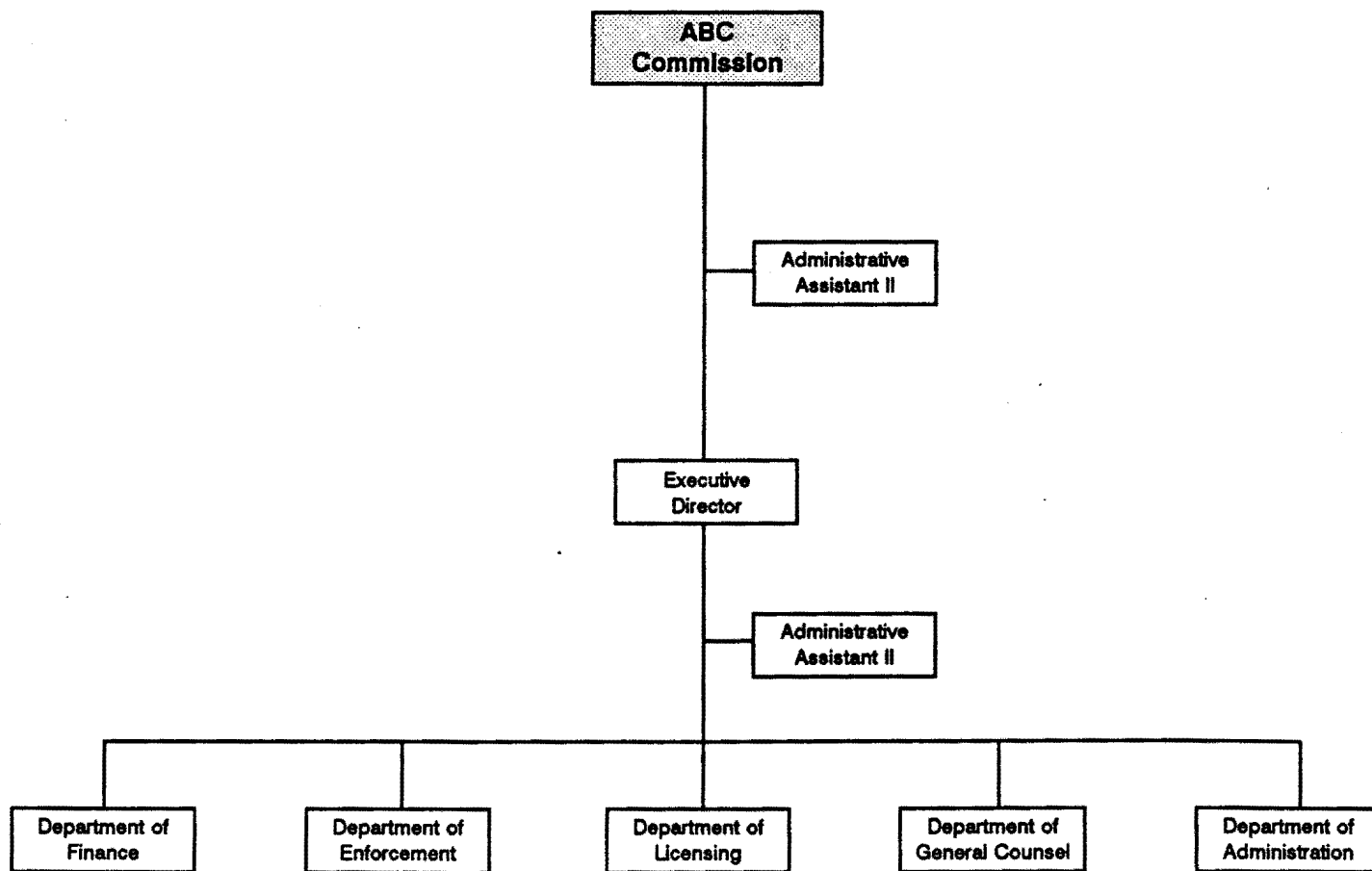
Alcoholic Beverage Control Commission

Revenues and Expenditures

	FY 84-85	FY 85-86	FY 86-87	FY 87-88	FY 88-89	FY 89-90 (estimated)
Revenues						
State Funds	\$2,408,332	\$3,052,339	\$3,006,231	\$3,278,280	\$3,976,913	\$4,215,313
Federal Funds	•	•	•	•	69,000	•
Other Funds	117,355	250,840	241,554	579,412	622,451	614,868
Total	\$2,525,687	\$3,303,179	\$3,247,785	\$3,857,692	\$4,668,364	\$4,830,181
Expenditures						
Personal Services	\$1,471,362	\$1,701,068	\$1,943,611	\$2,029,871	\$2,446,745	\$2,508,372
Other Operating Expenses	745,259	833,337	834,410	1,276,263	1,378,179	1,326,072
Special Items	•	•	•	•	13,745	35,000
Aid to Subdivisions	•	77,775	32,750	133,937	209,687	364,868
Employee Benefits	303,066	370,999	421,054	417,621	570,208	595,869
Nonrecurring Appropriations	6,000	320,000	15,960	•	49,800	•
Total	\$2,525,687	\$3,303,179	\$3,247,785	\$3,857,692	\$4,668,364	\$4,830,181

Source: South Carolina Budget and Control Board Documents.

Alcoholic Beverage Control Commission Organization Chart



Source: Alcoholic Beverage Control Commission.

Agency Comments

The State of South Carolina Alcoholic Beverage Control Commission

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September 26, 1990

Mr. George Schroeder, Director
Legislative Audit Council
400 Gervais Street
Columbia, South Carolina 29201

Dear Mr. Schroeder:

Thank you for the thorough audit of our hiring practices. While the audit examined some practices that were no longer in use at the time of the audit, the Commission appreciates the time expended by your staff. Our management personnel had been active in improving our hiring practices before the initiation of this audit. However, the recommendations of your auditors will be helpful as we continue to improve our method of selecting and promoting the best possible employees.

We respond to your recommendations as follows:

1. The ABC Commission will continue to use a written test as one of the selection criteria in agent hiring.
2. Contracted services will be used in a timely manner.
3. We are currently revising our policy that we follow to select new agents. We will work closely with the Division of Human Resource Management in revising this policy. The weight given to the oral interview will be determined based on the advice of The Division of Human Resource Management.
4. All employees who administer the oral hiring test will receive training in oral testing techniques.
5. We are currently reviewing the minimum law enforcement experience needed to be an ABC Agent. This requirement will be coordinated with the Division of Human Resource



Management, and will be incorporated into our formal hiring policy.

6. In our hiring policy, we will define what constitutes law enforcement experience.

7. Formal documentation of background investigations and copies of fingerprint cards are not in all of our personnel files. All ABC Agents must be certified as law enforcement officers within one year of hiring. In the past, fingerprint and background checks were always conducted during the certification process. However, after we adopted our formal policy on hiring, we started completing these checks during our selection process. The Commission agrees that this is a better procedure, and intends to continue completing background investigations before a prospective employee is hired.

8. While it is not required by state law, or by any regulation of the Division of Human Resource Management, the Commission agrees that a formal hiring policy for nonagent positions could ensure consistency in the hiring process. The Commission intends to develop such a policy in the near future.

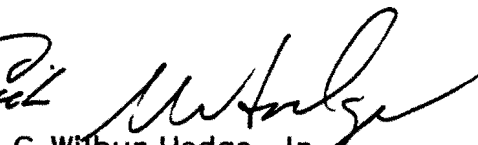
9. The requirement that job applicants submit a photograph with their applications began several years ago upon the request of a commissioner. As up to a hundred job applicants were sometimes interviewed for an opening, photographs were helpful in placing an application with a face after a person had been interviewed. However, in order to eliminate any possible negative public perception, we have discontinued the practice of requiring job applicants to submit a photograph.

Thank you again for your assistance and recommendations. We are confident that our revised hiring policy will ensure that the citizens of South Carolina are served by the best possible public servants.

Sincerely,


Joyce C. Hearn
Chairman


A. Wayne Crick
Commissioner


C. Wilbur Hodge, Jr.
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